



# Department of Justice

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## **FARO TECHNOLOGIES INC. AGREES TO PAY \$1.1 MILLION PENALTY AND ENTER NON-PROSECUTION AGREEMENT FOR FCPA VIOLATIONS**

WASHINGTON – Faro Technologies Inc. (Faro), a public company that specializes in computerized measurement devices and software, agreed to pay a \$1.1 million criminal penalty in connection with corrupt payments to Chinese government officials in violation of the Foreign Corrupt Practices Act (FCPA), Acting Assistant Attorney General for the Criminal Division Matthew Friedrich announced today.

Faro, headquartered in Lake Mary, Fla., develops and markets portable computerized measurement devices and software to perform three-dimensional inspections of parts, assemblies and machines for the manufacturing sector, including the automotive, aerospace and consumer goods industries. According to the statement of facts, Faro began direct sales of its products in China in 2003 through its subsidiary, Faro China, which is based in Shanghai. On several occasions in 2004 and 2005, a Faro employee authorized other Faro employees to make corrupt payments, termed “referral fees” within Faro, directly to employees of state-owned or controlled entities in China to secure business for Faro. According to the statement of facts, in 2004 and 2005 Faro promised to make and did make corrupt payments disguised as referral fees to secure contracts worth approximately \$4.9 million.

The statement of facts also reveals that certain Faro employees decided in 2005 to route the corrupt payments to Chinese government officials through a shell company to “avoid exposure,” according to internal e-mails. As a result, in January 2005 Faro China entered into a bogus services contract with an intermediary, using it to pay the bribes on behalf of Faro. The intermediary aggregated the bribe payments it paid on behalf of Faro and sent regular invoices to Faro for payment based on its services contract.

Faro also falsely recorded at least \$238,000 in improper payments in its books and records, inaccurately describing the bribe payments as referral fees. Also, between approximately May 2003 and February 2006, Faro failed to devise and maintain a system of internal controls with respect to foreign sales activities sufficient to ensure compliance with the FCPA.

In recognition of Faro’s voluntary disclosure and thorough review of the improper payments, its cooperation with the Department’s investigation, the company’s implementation of and commitment to implement in the future enhanced compliance policies and procedures, and

the company's agreement to engage an independent corporate monitor, the Department has agreed to enter into a non-prosecution agreement with a term of two years. If Faro abides by the terms of that agreement, the Department will not prosecute Faro for the conduct admitted in the statement of facts.

In a related matter, the Securities and Exchange Commission (SEC) today instituted a settled enforcement action against Faro. Faro consented to the entry of a cease and desist order and agreed to pay approximately \$1.85 million in disgorgement and prejudgment interest in connection with conduct similar to that described above.

This case was prosecuted by former Fraud Section Trial Attorney Amanda Riedel and Fraud Section Deputy Chief Mark Mendelsohn with substantial investigative assistance from the FBI's Field Office in Orlando, Fla. The Department also acknowledges the assistance of the Enforcement Division of the SEC.

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